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BIOXYNE LIMITED

ABN 97 084 464 193

Financial Statements
for the Year ended 30 June 2012

Bioxyne Limited
2012 Financial Report

Index

Bioxyne Limited
Corporate Governance Statement

The Board of Directors of Bioxyne Limited ("Bioxyne") is responsible for the corporate governance of the company. The Board guides and monitors the business affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Bioxyne has adopted the best practise recommendations established by ASX Corporate Governance Council. The board considers and applies these recommendations to the extent there is sound reason to do so given the circumstances of the company. The suite of corporate governance material that the Company abides by is available under Investor tab of the Probiomics website www.probiomics.com.au.

Principle 1: Lay solid foundation for management and oversight

Role of Board and management

While the company has formal policies and procedures that are disseminated to all employees, consultants and Directors, it does not have a formal statement of matters that are delegated to management specifically. The Board of Directors is of the opinion that in a company of this size, fewer than 20 employees, such a statement would be unnecessarily formal. Also, as the chief executive and chief financial officer attend all board meetings, the distinction between the Board and management is not sufficient to warrant a formal statement of the segregation of duties. However, the guiding principles for the role and the conduct of the board are set out in section 8 of the Company's constitution. In addition, when the directors are appointed, the Company Secretary, in his welcoming letter reminds them of the Company's disclosure and share trading policies as well ASX disclosure requirements. The constitution is available under the in Corporate Governance in the investor section of the Company's website.

Principle 2: Structure the board to add value

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report is included in the Directors' Report on page 10. Directors of Bioxyne are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence "materiality" is considered from both the company and the individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above and the materiality thresholds set, the following directors of Bioxyne are considered to be independent.

Bioxyne Limited
Corporate Governance Statement (Continued)

Name	Position
David Radford	CEO and Managing Director (appointed 4 April 2012)
Ian Mutton	Non-executive chairman (appointed 4 April 2012)
Doug Wilson	Non-executive director (appointed 18 April 2012)
Jeremy Curnock Cook	Non-executive director (appointed 7 May 2012)
Glenn Crisp	Non-executive director (appointed 4 April 2012)
William Harrison	Non-executive director (appointed 4 April 2012)
Patrick Douglas Ford	Non-executive director

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office of each director as at the date of this report is as follows:

Name	Term in office
David Radford	6 months
Ian Mutton	6 months
Doug Wilson	6 months
Jeremy Curnock Cook	5 months
Glenn Crisp	6 months
William Harrison	6 months
Patrick Douglas Ford	4 years and 3 months (re-elected 23 June 2008)

Board Committees

The board has four committees:

- Audit and Risk Management Committee
- Remuneration Committee
- Technical Committee
- Commercialisation Committee

The company did not have a separate nominations committee during the year. All nominations for appointment as a director are considered by the whole Board.

Performance Evaluation

The company does not have a formal annual assessment of the performance of the Board, Committees and the Directors. However a continuous informal evaluation is undertaken as an ongoing process to ensure adherence of the Company's various Corporate Governance Policies.

A formal evaluation process was conducted of the Chief Financial Officer / Company Secretary but the process was not published as was considered to be a confidential evaluation of individuals and publishing it would not be appropriate. Currently, the company does not have any employees and the current CFO / Company Secretary is engaged on consulting basis and is evaluated by the board on an ongoing basis. Should the need arise; the chairman and/ or board members would discuss performance related issues with the individual.

Bioxyne Limited
Corporate Governance Statement (Continued)

Conflict of Interests

There was no conflict of interest during the reporting period.

Principle 3: Promoting ethical and responsible decision making

The company has a written code of conduct that is disseminated to all employees and directors however at present it has not been released publicly. The company's share trading policy for directors and employees has been posted on the company's web site.

The company is committed to providing the highest calibre of oversight to its clinical trial and assets by ensuring it retains appropriately qualified employees. However due to the size of the Company, and having only one formal direct employee, employees are engaged on the basis of their qualifications, skills and personal attributes although the Company is aware of the benefits to be derived from having a diverse workforce. It follows that at this stage the Directors do not consider it necessary to set a formalised diversity policy.

Principle 4: Safeguarding the integrity of financial reporting

Audit and Risk Management Committee

The board has an established audit committee. The committee has a formal audit charter approved by the board. The charter is available under the in Corporate Governance in the investor section of the Company's website.

It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the company to the audit committee.

The audit committee reviews the efficiency and effectiveness of the external auditors on a regular basis and determines from those reviews whether the external auditors should be retained. The company requires that the external auditors rotate their audit engagement partners every five years. The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit and Risk Management Committee during the year were:

- Glenn Crisp
- William Harrison
- Patrick Ford

Qualifications of Audit Committee members

Mr Crisp is the founding partner of Crisp Lawyers and has over 19 years experience in legal practice.

Mr Harrison is Head of Business Development Operations, Asia, Middle East, Africa for Novartis Pharma and has valuable skills in the commercialisation phase of biopharmaceuticals.

Mr Ford holds a Commerce degree and is a stockbroker with experience of financial and accounting matters.

Bioxyne Limited
Corporate Governance Statement (Continued)

Attestation by Chief Executive Officer

The Chief Executive Officer, Mr David Radford has made a declaration required by the section 295A of the Corporation Act and recommended under Recommendation 4.1 and Recommendation 7.2 of the ASX Principles.

The declaration states to the board in writing that to the best of his knowledge the integrity of the financial statements accord with relevant accounting standards, present a true and fair view, and are founded on a sound system of risk management and internal compliance and controls which operates efficiently and effectively in all material respects.

External Audits

RSM Bird Cameron Partners was appointed as the company's auditor at the AGM held on 23 June 2008. Auditor reports directly to the Audit & Risk Management Committee and has unrestricted access to the board members. Additionally, the auditor attends AGM and GMs and answers any questions raised by the shareholders. The auditor's main role is to provide the shareholders that the financial statements give a true and fair view of the company's financial position and are in compliance with Australian Accounting Standards.

Principle 5: Timely disclosure of material matters

The company has a continuous disclosure policy, which is available under the in Corporate Governance in the Investor section of the company's website. This policy has been developed by the board to facilitate compliance with its obligations under the ASX listing rules as well to ensure that accurate disclosure to the shareholders and the broader investment markets.

Principle 6: Respect the rights of the shareholders

The company recognises the importance of effective communication with its shareholders. The company does not have a formal strategy to promote effective communications with shareholders as the date of this report because all material matters affecting the company that are market sensitive are released through the ASX which makes them available publicly to all shareholders. Matters that are not necessarily market sensitive but of interest to shareholders are released by way of regular shareholders' update letters.

Participation at shareholders' meetings is encouraged but at present the company does not have a formal strategy for this.

The company auditor attends the AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and the content of the auditor's report.

Principle 7: Recognition and management of risk.

The company's Audit Committee also acts as the Risk Management committee so the members are the same as detailed above.

Due to the relatively simple structure of the company and its current operations a simplified version of the Risk Oversight and Management Policy has been adopted. The policy is available under the in Corporate Governance in the investor section of the company's website.

Additionally, the CEO and CFO provide a statement to the board detailed under Principle 4: Safeguarding the integrity of financial reporting.

Principal 8: Remunerate fairly and responsibly

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

• retention and motivation of key executives, and
• attraction of quality management to the company

A full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period is contained in the Remuneration Report section of the Directors' Report on page 20.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team.

The board has established a remuneration committee, comprising three directors. Members of the Remuneration Committee throughout the year were:

- Glenn Crisp
- William Harrison
- Jeremy Curnock Cook

The committee does not have a formal charter as there are fewer than 20 employees to consider in the context of remuneration and such a formality is not considered an efficient use of the Directors' time.

Bioxyne Limited
Chairman's Report FY 2012

It is my pleasure to present the Director's report for Bioxyne Limited (ASX:BXN) for Fiscal Year 2012. Bioxyne (formally known as Probiomics Limited) in April 2012, acquired Hunter Immunology Limited which was concerned with research and development focused on a novel approach to prevention of infection in Chronic Obstructive Pulmonary Disease (COPD) sufferers. This was seen as an augmentation of Probiomics business then focused on commercialising probiotics for human consumption. The benefit of this merger being increased scale and scope for both businesses in the tough biotechnology market segment of the ASX.

During the year Hunter Immunology ran several capital raisings to ensure that they were able to complete the funding of study HI-005. In spite of very strong headwinds in the capital markets, the business was able to secure funding both in September 2011 and later in January 2012 as a result of the merged entity. This ability to raise funds was in no small amount due to the strong support from the Company's broking partners, Martin Place Securities, Veritas Securities and Taylor Collison..

Towards the end of June the Company experienced a rapid decline in share price following the release of the Study HI-005 results that showed the company missed primary and secondary end points. Importantly, the Company continued to analyse the data provided by HI-005 and has released a retrospective analysis of Study HI-005, and a comparator to Studies HI-002/004.

This analysis suggests that there may be value derived from a successful outcome from further investigation into the use of the immunotherapeutic HI 164 in an enriched patient population (ie one that demonstrates sputum production on their first physician visit). When previous studies are analysed retrospectively using this indicator, there appears to be further support for this hypothesis.

Where to from here?

The Company is actively engaged with Torreya Partners from New York in exploring commercialisation opportunities for the HI 164 asset. In parallel, our Managing Director is exploring funding opportunities for further studies and seeking potential assets that may be suitable to bring into Bioxyne. I anticipate that several options will be brought to the Board for review and consideration early in Fiscal Year 2013. The goal for myself and all the board members remains to ensure that the best value is delivered from the company to all of our shareholders equally.

I would like to take this opportunity to thank our staff for their hard work and diligence in enabling the Company to reach the stage of becoming a listed entity on the ASX, as well as maintain the focus upon our shareholders. I also extend my thanks to the previous Directors of PCC for their professionalism in managing the transition process to Bioxyne Limited.

With many thanks and best regards,

Ian Mutton
Chairman

Bioxyne Limited
CEO and Managing Director's Report FY 2012

During Fiscal Year 2012 the Company achieved a number of important milestones in its development as an Australian biotech company. These included the ASX listing of the Hunter Immunology business through a reverse take-over of Probiomics Limited (PCC) early in April 2012, as well as the release of the Clinical Study HI-005 results that looked at the efficacy of the clinical asset HI 164 when used in patients suffering moderate to severe Chronic Obstructive Pulmonary Disease (COPD).

The PCC merger was identified in late 2011 after discussions with the Board of PCC. The benefits to this merger were to provide an increased range of products at differing stages of their development cycles, but with the underlying focus upon mucosal immunology. This deal was concluded in early April 2012 and the new entity entered the ASX as Bioxyne Limited (ASX:Bxn). The Board of PCC was extremely professional as the process proceeded, and thanks must go to Messrs Ford, Taylor and O'Laughlin who had been instrumental in maintaining the business of PCC prior to the offer from Hunter Immunology. Upon completion of the merger deal, both Mr Taylor and O'Laughlin resigned from the board of PCC in early April 2012.

In June 2012 the results from the Study HI-005 were released to the market. These results, whilst not achieving the primary and secondary endpoints, provided a signal that there may be potential for use of the product in patients aged under 65. Further retrospective analyses from Studies HI 002 and 004 also provided insight that the signal from Study HI-005 may be supportive of several earlier observations as to the effect of the immunotherapeutic in patients with copious sputum production (indicative of the presence of a chest infection). Further studies would be required to confirm these findings.

The Company has continued to focus upon commercialising the PCC asset- a Lactobacillus fermentum based probiotic. The bulk sales of Lactobacillus fermentum PCC, inherited from the Probiomics , have continued throughout the merger process and are showing positive trends in early FY1013. As part of the strategic review of the business, new opportunities to exploit the potential of L. fermentum PCC will be explored. The Nestle Development & Licensing Agreement was terminated during the year as the lead time to incorporate PCC into infants formula was taking longer than anticipated. This now provides the Company with an opportunity to pursue alliances with other interested parties. Subsequent to closure of the results for FY12, the company has focused upon driving growth into the export markets that it has historically serviced.

In reviewing the road map forward into FY13, the Company has engaged with Torreya Partners as it looks to understand the value inherent in the HI 164 asset. The options available to the business include:

a) The financing of a further clinical study in an enriched patient population;
b) A sale or licence deal arising from the data generated from Study HI-005; and
c) The acquisition of alternative assets to bring into BXN.

It is the Company's view that entering into any of these 3 options would not necessarily preclude the entering into contracts in any of the other areas, and the Company remains actively engaged in assessing the opportunities available to build value for the shareholders.

In closing, it is important to acknowledge the support and enthusiasm of the research team in the Newcastle Hospital laboratories, as well as the support of the Board of Directors. All members of the Company and the Board remained focused upon the realisation of value for our shareholders.

Yours Sincerely,

David Radford
CEO and Managing Director

Directors' Report

Your directors present their report on Bioxyne Limited (ASX: BXN) and its wholly owned subsidiary (the "Group") for the year ended 30 June 2012.

Directors

The following persons were directors of Bioxyne Limited during the financial year and up to the date of this report:

David Radford	CEO and Managing Director (appointed 4 April 2012)
Ian Mutton	Non-executive chairman (appointed 4 April 2012)
Doug Wilson	Non-executive director (appointed 18 April 2012)
Jeremy Curnock Cook	Non-executive director (appointed 7 May 2012)
Glenn Crisp	Non-executive director (appointed 4 April 2012)
William Harrison	Non-executive director (appointed 4 April 2012)
Patrick Douglas Ford	Non-executive director
Simon Taylor	Non-executive director (retired 4 April 2012)
Simon O'Laughlin	Non-executive director (retired 4 April 2012)

Company Secretary

Ms Laura Raymer
Mr Ashok Jairath

Information on Directors

David Radford, BSc (Hons), Master of Business Administration (Managing Director of Hunter), GAICD

Mr Radford was appointed on 4 April 2012.

David has executive responsibility for the overall leadership of the business of the Hunter Group and the implementation of its strategic plans, specifically to build strategic partnerships and exploit opportunities in product innovation and business development. He is also currently responsible for Hunter's investor relations. David has over 20 year's international business experience in the medical device and healthcare industries. He has held senior position within GE Healthcare, Brambles Australia and Cobe Laboratories. More recently David was the Chief Executive Officer of Nanosonics Limited (ASX: NAN).

David has skills in marketing, business strategy, change management, organisational structure and has been involved in the successful global roll-out of new products and services. David is qualified with a BSc Honours degree in Applied Biological Sciences from Bristol Polytechnic (UK), specialising in microbiology, and an Executive Masters of Business Administration degree from the Australian Graduate School of Management.

Ian Mutton, LLB (Non-Executive Chairman)

Mr Mutton was appointed on 4 April 2012.

Ian is a non-practicing lawyer with an extensive background in competition and product liability laws. He now assists firms to define their ethics so as to ensure alignment with the laws that govern their operations. He also assists with the development and implementation of programs aimed at ensuring compliance with the competition laws. He spent 10 years with the Commonwealth Crown Solicitor on continuous secondment to the (then) Trade

Practices Commission with occasional secondment to an inter-department committee responsible for containing product liability exposure. Ian also spent fifteen years with CSR Limited devising and implementing product liability defence and asset protection strategies in Australia, New Zealand and the US. Ian currently sits on a number of Boards of emerging listed and unlisted Australian and UK companies engaged in the energy, recycling, minerals, finance, technology and resource exploration sectors in Australia, Chile and China.

Dr Doug Wilson, MB, ChB, PhD, FRACP, FRACP (Non-Executive Director of Hunter)

Dr Wilson was appointed on 18 April 2012.

Dr Doug Wilson has been a clinical immunologist and has trained in New Zealand, the UK, and at the Walter and Eliza Hall Institute Melbourne with Sir Gustav Nossal, and was also Associate Professor of Medicine at the Auckland Medical School. In 1987, he joined the international pharmaceutical industry by becoming Senior Vice President and head of Medicine and Regulatory Affairs for a major drug company, Boehringer Ingelheim, in the USA. In that role, Doug was responsible for all the clinical aspects of drugs in development, and for most interactions with the FDA. He then took over those functions for the company globally, whilst being based in Germany. During that time Doug was either part of or led teams which saw over 10 drugs approved by FDA in the USA and many others worldwide. He was Chairman of the Boehringer Ingelheim’s International Medical Committee, and of the International Labelling Committee and part of the group overseeing all drugs in development supervising teams in the USA and Germany. During that time, Doug participated in the development of over 80 drugs in many different jurisdictions. Boehringer Ingelheim has been very active in the treatment of COPD for over 30 years. Since returning to New Zealand in 2002 he has been consulting for a number of biotech companies and is also non-executive Chairman of Phylogica Limited, an ASX listed company.

Jeremy Curnock Cook, BA (Hons), MA (Non-Executive Director of Hunter)

Mr Curnock Cook was appointed on 7 May 2012.

Jeremy is managing director of the IB Australian Bioscience Fund and chairman of its investment Committee. He established the Rothschild Bioscience Unit (UK) and was responsible for its life science funds including Biotechnology Investments Limited and the International Biotechnology Trust plc, which by the year 2000 together had more than $1 billion in net asset value. Jeremy was also responsible for Rothschild establishing Australia’s first dedicated biotechnology fund (now GBS Ventures). Most recently Jeremy founded and was executive chairman of Bioscience Managers Limited, a corporate and investment advisory firm based in the UK. Jeremy’s previous directorships include AMRAD Corporation, Cantab Pharmaceuticals, Inflazyme Pharmaceuticals, GlycoDesign Therapeutics, Sirna Therapeutics, Sugen, Targeted Genetics and Vernalis.

Glenn Crisp, B. Comm, LLB (Non-Executive Director of Hunter)

Mr Crisp was appointed on 4 April 2012.

Glenn founded Crisp Legal in 1995 as a specialist property construction and development law firm in order to provide clients with an alternative to the legal services than being offered in the Sydney market. Glenn has 22 years experience in legal services. His experience covers the assessment of opportunities/ risks of development proposals, the negotiating of large scale engineering and construction projects including project participants and alternatives for the raising of equity and debt finance. Glenn regularly lecturers to, and conducts workshops for, clients, industry groups and professional associations in particular on project administration/management, compliance and risk issues and director’s duties. Glenn chairs the audit and remuneration committees of Hunter.

Directors' Report (Continued)

William Harrison, FRCP, FRCAP, FAFRM (Non-Executive Director of Hunter)

Dr Harrison was appointed on 4 April 2012.

William Harrison is an Australian citizen who qualified in medicine in the US and received his FRCP Glasgow after training in the UK. He did his subspecialty training in Rheumatology and Rehabilitation in Perth, Western Australia receiving both the FRACP and FAFRM. William was formally a Consultant Physician at Royal Perth Hospital. He has spent over 20 years in the pharma industry holding executive positions in both Clinical Development and Business Development for Novartis Pharma AG. He is a Graduate of the Australian Institute of Company Directors and served on the board of the Swiss biotech, ESBAtech, from 2003-2006. ESBAtech was subsequently acquired by Alcon in 2009. He is currently Head of Business Development Operations for the Novartis Pharma Region Asia, Middle East, and Africa and resides in Basel Switzerland.

Patrick Ford, B. Comm (Non-Executive Director)

Mr Ford was appointed on 17 May 2005

Mr Ford is a member of the Audit Committee and is also a member of the Remuneration Committee of the Board.

Mr Ford is a Sydney based stockbroker with Veritas Securities Limited and also provides corporate advisory services through his private company Diskdew Pty Ltd. He has an extensive history of capital raising and supplying advice to the Australian Biotechnology sector. He holds a Bachelor of Commerce degree from University of Canberra.

Simon Taylor (Non-Executive Director)

Mr Taylor resigned on 4 April 2012

Mr Taylor is a geologist with 18 years experience throughout Australia having held management positions for numerous ASX-listed resource companies. He has gained considerable experience in exploration, project assessment and joint venture negotiations. He has significant board experience as founding director of ASX-listed Chesser Resources Ltd, and as managing director of Aguia Resources Limited. Mr Taylor's corporate experience includes project appraisal, advice on placements and fundraising. Mr Taylor is a member of the Australian Institute of Geosciences.

Simon O'Loughlin (Non-Executive Director)

Mr O'Loughlin retired on 4 April 2012

Mr O'Loughlin is a solicitor and a founding member of Adelaide based medium sized specialist commercial law firm O'Loughlin Lawyers. He is currently the Chairman of Bondi Mining Ltd, Avenue Resources Ltd and Kibaran Nickel Ltd and a non-executive director of WCP Resources Ltd, Chesser Resources Ltd, Aura Energy Ltd, Petratherm Ltd and Strezlecki Metals Ltd.

Directors' Report (Continued)

Principal Activities and Strategy

Bioxyne Limited is a biopharmaceutical company focused on respiratory disease. During the year, the principal continuing activities of the Group consisted of the research and development of products for the ongoing treatment of Chronic Obstructive Pulmonary Disease.

Dividends

No dividends are paid to members during the financial year (2011: $Nil).

Review of operations

Ongoing Activities

The Group continued to export probiotics into the international market in FY 2012. As a result of the strengthening Australian dollar sales decreased in FY12 when compared to previous years, which has necessitated a price increase being implemented early in FY13. Strategies are being investigated to assess alternative market entries in order to increase the cash flow generated by this business.

Reverse Acquisition by Hunter Immunology Limited

On 11 October 2011 Bioxyne Limited (ASX: BXN) (nee Probiomics Limited [ASX: PCC]) announced to the ASX Takeover Offers and a Series of Transactions with respect to Hunter Immunology Limited executing a reverse takeover of PCC by Hunter.

On 13 December 2011 the Companies lodged their respective parties Bidder and Target statements which were circulated to their shareholders. The purpose of these documents was to outline the ultimate takeover offer for consideration of the shareholders and a timeline or path to transaction completeness. This day also became the lodgement date of the statements with ASIC and hence the record date for initiation of the transaction.

The offer to Hunter shareholders and convertible note holders subject to notices of conversion was:

- nine (9) Probiomics Shares for each one (1) Hunter Share;
- nine (9) Probiomics Shares for each one (1) Tranche 1 Note Interest; and
- nine (9) Replacement Probiomics Options for each one (1) Hunter Option.

From this date there was then a distribution of formal offer documents for Hunter shareholders to accept or decline their interest in PCC.

PCC lodged a prospectus with ASIC, and subsequently a replacement prospectus with ASIC on 6 January 2012, to raise in a public offer shares at $0.011 per PCC share, with a 1 for 3 attaching option, each to acquire a PCC share on exercise at $0.0165 on or before 31 March 2013.

The public offer was closed, after extension, on 27 February 2012 after obtaining more than the minimum offer of $2,200,000.

Directors' Report (Continued)

On 23 March 2012 PCC closed its offer for the takeover of all of the securities of Hunter ('the Takeover Bid') having immediately prior to closing the offer acquired an interest in:

- 95.98% of all Hunter Shares;
- 96.17% of all Hunter Options;
- 100% of all Tranche 1 Note interests

Following this announcement and having reached more than an overall 90% acquisition of Hunter, on 26 March 2012 PCC began the process of compulsorily acquiring all Hunter securities that were not the subject of an acceptance whilst the takeover bid remained open. As per Appendix 3B announcement on 28 June 2012, these remaining interests (called dissenting shareholder interests), were at this stage wholly acquired by PCC with their BXN entitlement shares held on a separate dissenting shareholder register in trust for the ultimate original Hunter owner.

Having now issued all of the securities it was required to, PCC then on:

- 27 March 2012 initiated a 1 for 20 share consolidation to all PCC shareholders at that date with corresponding adjustments made to options per the ASX listing rules;
- 29 March 2012 dispatched holding statements under the name Probiomics Limited to all shareholders and option holders on a consolidated basis;
- 30 March 2012 notified ASIC of a shareholder resolution, from PCC shareholder meeting held on 7 February 2012, to change its name to Bioxyne Limited. The change of name and ticker code (PCC to BXN) would not happen for the purposes of the ASX until 10 April 2012;
- 3 April 2012 announced to the market all documents required by the ASX as a pre-quotation disclosure;
- 4 April 2012 successfully resumed trading on the ASX having met all ASX and ASIC imposed requirements;
- 10 April 2012 began trading as Bioxyne Limited with ASX ticker code "BXN".

Legally, as at 30 June 2012, Hunter Immunology is now a wholly owned subsidiary of Bioxyne Limited (ASX: BXN), although it is noted that from an accounting perspective, Hunter is the acquirer and BXN the acquiree which will mean that the financial statements of BXN will reflect the opening comparatives and be adjusted against the balance of Hunter.

The HI-164OV Phase 2b Trial – Trial and Technology

On 28 June 2012 the Group released the results of the Phase 2b study to the market. This study had been conducted by the acquired subsidiary Hunter Immunology Limited and initiated in the prior financial year.

The study was successfully completed, and findings of the study announced were:

1. Analysis of the full patient population indicated that HI 164 failed to show a significant benefit of the immunotherapeutic across the study group as a whole;
2. Subset analysis in patients under 65 years old indicated a statistically significant benefit in the group treated with HI 164 0V. This group represented approximately 30% of the patients in study 005;
3. Patients under the age of 65 years of age showed a 50% reduction in hospitalisation, with a >50% reduction in duration of stay in the active treatment arm;
4. The study confirmed that the immunotherapeutic was safe for use in COPD patients.

Directors' Report (Continued)

A commercialisation program was commenced with Torreya Partners in mid-July, whereby a comprehensive information package was provided to a range of international pharmaceutical companies that may have an interest in furthering the development of the product. These initiatives have remained on-going as of the date of the annual report. This strategic business development program is in line with strategies previously circulated to Shareholders by the Group prior to the release of the study results.

People:

Upon conclusion of the PCC acquisition of Hunter Immunology, Messrs Taylor and O'Laughlin resigned from the Board of PCC. Mr Patrick Ford remained on the Board of the new entity Bioxyne.

The following Directors of Hunter were appointed to the Board of Bioxyne upon completion of the acquisition process:

David Radford	CEO and Managing Director (appointed 4 April 2012)
Ian Mutton	Non-executive chairman (appointed 4 April 2012)
Doug Wilson	Non-executive director (appointed 18 April 2012)
Jeremy Curnock Cook	Non-executive director (appointed 7 May 2012)
Glenn Crisp	Non-executive director (appointed 4 April 2012)
William Harrison	Non-executive director (appointed 4 April 2012)

Funding:

Throughout the year the Group funded the Phase 2b trial completion and its operations from a number of sources. These included:

(i) **Receipt of the 2011 R&D tax concession** from the Australian Taxation Office. The principal payment was approved in addition to $2,422 in interest which was credited to Hunter due to a delay in processing of the refund and on 1 November 2011. Hunter received and banked the entire balance of $911,955;

(ii) **Rights issue and subsequent issues of capital** with a first preference of sourcing this capital from existing Hunter shareholders:

a. On 6 June 2011 Hunter issued an Information Memorandum to offer up to 20 million shares at 20 cents per new share with 1 attaching option for every 2 new shares issued exercisable at $0.35 per share and expiring 31 March 2013;
b. The offer was scheduled to close at 7:00pm on 8 July 2011 but was however extended by Hunter to 22 September 2011;
c. In the months to 22 September 2011 a further $632,578 was raised (3,162,890 shares and 1,581,445 options) leading to a total of $767,052 (3,835,262 shares and 1,917,631 free attaching options including funds raised prior to 30 June 2011) raised at completion.
d. The total subscription of 3,835,260 shares and 1,917,630 options was formally approved and issued by Hunter on 3 October 2011.

(iii) **Convertible Notes** – the below convertible notes lead to a total of $3,000,000 in convertible note funds advanced to Hunter throughout the financial year:

a. On 11 October 2011 Cherryoak Investments Pty Ltd, a sophisticated investor, signed a memorandum of understanding to advance $1,000,000 in funds on the same basis as the convertible note terms as noted below (see 'Convertible Note Terms'). These funds were advanced and the notes converted at the conversion price in conjunction with the BXN transaction and terms of the note deed itself;
b. Further $250,000 in convertible note funds were advanced by Martin Place Securities Nominees Pty Ltd on behalf of several other underlying note holders. These funds were received in two tranches, on 1 November 2011 $200,000 was received, and on 3 November 2011 the remaining $50,000 in funds were received;
c. A further $1,750,000 in convertible note funds was agreed to be advanced by existing note holders, PT Soho Industri Pharmasi ($500,000), and Phillip Asset Management Limited <IB AUST BIOSCIENCE FUND> ($1,250,000). The notes were subject to the same Convertible Note Terms as outlined below.

(iv) **Convertible Note Terms**

a. $3,000,000 in total note funds;
b. Conversion to occur at earlier of either:
    i. A liquidity event (being ASX and PCC/BXN shareholder approval of the transaction, completion of the public offer, but prior to the close of the takeover of Hunter by PCC); or
    ii. 2 year anniversary from deed or binding memorandum of understanding date.
c. 8% p.a coupon payable in shares at conversion;
d. Conversion price of $0.05, however if a liquidity event does not occur prior to 31 March 2012, the conversion price for the note is $0.02;
e. Secured by a fixed and floating charge over Hunter which expires on conversion;
f. Monies due on execution of the note deed which was imminent as at the date of issuing these financial statements;
g. Agreement of the convertible note recipients to the PCC offer or a similar type of offer by another company;
h. No right of redemption if Hunter proceeds to a liquidity event (ie: the notes must convert);
i. A scheme of arrangement, take-over, or other like transaction with the purpose of achieving a liquidity even will not trigger a breach of note terms;
j. Normal commercial terms with regard to good faith.

Throughout the year all of the convertible notes on issue were converted due to the liquidity event being achieved by Hunter.

Directors' Report (Continued)

This meant that the $3,000,000 in face value notes issued throughout the year, in addition to $74,105 interest, were converted into 61,482,103 Hunter Shares prior to acquisition and consolidation by BXN. Additionally the $4,000,000 in face value Tranche 1 Convertible Notes advanced in prior financial years were converted on the same terms, however at an agreed conversion price of $0.099, which in addition to interest of $449,014 were converted into 55,040,542 Hunter shares prior to acquisition and consolidation by BXN.

Distribution Agreement

In September 2011, Hunter concluded negotiations to establish a distribution agreement with PT Soho Industri Pharmasi ("Soho") under which Soho will act as an exclusive agent of the Group to sell and distribute the Group's commercialised product in South East Asia. Soho will also be entitled to negotiate with Hunter on a right of first refusal basis to become the distributor of all new products.

Soho has operated in the healthcare industry since 1951 and is part of the Soho Group, which is one of Indonesia's largest pharmaceutical and health care businesses dealing in manufacturing, distribution and provision of health care products and services.

Operating Results

The net loss for the year was $1,784,131 (2011: loss $3,929,656) and is in line with Directors' expectations. The results reflect full year operations for the Group and the continued development of our platform technologies.

Significant changes in the state of affairs

Receipt of Research and Development ("R&D") Tax Offset

On 30 August 2012, the Group received the refund of $1,529,528 from the lodgement of the 2012 Hunter tax return which included a claim for the R&D tax concession as disclosed at Note 8.

HI-164 OV Path to Commercialisation and Continued Results Analysis

The Group has engaged Torreya Partners to help engage in the marketing and commercialisation of the statistically significant Phase 2b trial results.

As announced on 12 July 2012 to the ASX this includes:

1. A non-confidential information package and 'slide deck' regarding HI-164 OV being prepared;
2. This package to be carefully marketed to a select group of >50 companies that have been identified as having an interest in the respiratory technology or vaccine space;
3. It is expected that indications of interest will take up to 2 months from this date at which point the Group will better understand the commercialisation potential of HI-164 OV.

On 16 July the Group held an investor presentation which further updated shareholders on the interpretation of the Phase 2b trial results.

The Group is continuing to review such potential opportunities with Torreya Partners whom it has appointed to advise and facilitate for Hunter and BXN on the most relevant commercialisation strategies.

Directors' Report (Continued)

Signing of Heads of Agreement with Vaxine Pty Ltd:

As per ASX announcement released to the market on 24 September 2012, on 21 September 2012, Bioxyne Limited signed a Heads of Agreement ("HoA") with Australian vaccine developer, Vaxine Pty Ltd ("Vaxine").

Under the terms, Bioxyne will raise ~$3.4m in capital through the sale of equity (19.9%) and the sale of its Probiomic's asset based on a proprietary Lactobacillus fermentum strain. BXN will then contract with Vaxine's Clinical research team based in Flinders Medical Centre to commence a study into the impact of HI 164OV in an enriched patient population of Chronic Obstructive Pulmonary Disease (COPD) suffering patients.

The Company will be seeking shareholder approval at its AGM for the issue of equity in excess of the 15% allowance.

Other Matters Subsequent to Balance Date:

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

a) The Group's operations in future financial years; or
b) The results of those operations in future financial years; or
c) The Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this financial statements because the directors believe it could potentially result in unreasonable prejudice to the Group.

Environmental regulation

The Group operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board however considers that adequate systems are in place to manage the Group's obligations and is not aware of any breach of environmental requirements as they relate to the group.

Indemnification of officers

During the financial year the Group paid premiums in respect of a contract insuring Directors, Chief Financial Officers and Company Secretaries of Bioxyne and Hunter Immunology (as named herein) and Executive Officers against a liability incurred to the extent permitted by the Corporations Act, 2001. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the insurance contract.

Directors' Report (Continued)

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Audit and non-audit services

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2012	**2011**
	$	**$**
Audit services		
Audit of financial reports – 2012 RSM Bird Cameron Partners (2011: BDO Audit (NSW-VIC) Pty Ltd)	59,600	43,933
Total remuneration for audit services	**59,600**	**43,933**

Options

As at the date of this report, the following options over unissued ordinary shares were on issue:

Details	**No of options**	**Issue date**	**Date of expiry**	**Conversion price ($)**
Free attaching options on public offer prior to completion of reverse takeover by Hunter Immunology Limited	3,638,837	29/3/2012	31/03/2013	0.33
Consideration for acquisition of interests in Hunter Immunology Limited	236,522	29/3/2012	30/09/2012	0.70
	405,000	29/3/2012	21/12/2012	0.78
	3,112,944	29/3/2012	31/03/2013	0.70
	1,062,000	29/3/2012	01/09/2013	0.24
	2,700,000	29/3/2012	14/05/2014	0.70
	1,000,000	29/3/2012	01/01/2015	0.40
Executive remuneration	6,337,817	29/3/2012	31/12/2015	0.00
Total	**18,493,120**			

Bioxyne

Directors' Report (Continued)

Meetings of directors

The numbers of meetings of the Group's board of directors held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	A	B
Full Meetings of Directors		
Mr Ian Mutton	19	24
Mr Glenn Crisp	24	24
Dr Jeremy Curnock Cook	20	24
Dr Doug Wilson	17	24
Mr David Radford	24	24
Dr William Harrison	5	10
Mr Patrick Ford	8	8

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

There have been no non-executive board meetings/committee meetings during the year with all matters being considered by the full Board.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

Auditor

RSM Bird Cameron Partners was appointed as the Company's auditor at the AGM held on 23 June 2008 and has remained the auditors of Bioxyne for the period under review.

BDO Audit (NSW-VIC) Pty Ltd was the auditor of Hunter Immunology but was removed as the appointed auditor on 6 September 2012.

RSM Bird Cameron Partners, having been validly appointed and issuing their consent to act, is now the appointed auditor of Hunter Immunology in accordance with section 327 of the Corporations Act 2001.

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of the Group.

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

Bioxyne

Directors' Report (Continued)

Remuneration committee

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Salaries are reviewed periodically by the Committee but there is no specific link to company performance as the company has, until recently, been engaged mainly in research and development and linking remuneration to R&D outcomes would be inappropriate in the company's view. In future, remuneration will be linked to the success in commercialisation of the probiotic.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board of Directors recognises that the success of the company will depend, largely, upon the quality of its directors and its senior management. For this reason the Remuneration Committee reviews the remuneration arrangements for all senior employees to ensure that it attracts and keeps motivated, highly skilled and appropriately qualified directors and executives.

Structure

Bioxyne's Constitution and the ASX listing rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined by shareholders in general meeting is then available to be split between the Directors as agreed between them. The latest determination was at the Annual General Meeting held on 28th November 2003 when shareholders approved an aggregate remuneration amount of $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned between directors is reviewed annually. The Board takes into account the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Group. The Chairman receives a higher fee in recognition of the additional time commitment required of a Chairman.

Non-executive directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company on whose board they sit.

Non-executive directors' remuneration is not linked to the performance of the Group.

The remuneration of non-executive directors for the period ending 30 June 2012 is detailed in Table 3 of this report.

Directors' Report (Continued)

Senior manager and executive director remuneration

Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company so as to ensure total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Remuneration Committee reviews market conditions to ensure that the remuneration offered is sufficient to attract executives of the highest calibre.

Fixed remuneration

The fixed remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

Equity Based Remuneration

The equity based remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

At a general meeting of Bioxyne shareholders (then Probiomics Limited) on 16 March 2012, the members approved the issue of 6,337,817 executive options as part of David Radford's remuneration. These options are executable at no cost but will only vest and be exercisable upon the successful commercialisation of the HI-164OV product.

Table 1 - Option holdings of key management personnel

	Opening balance	Net other change	Options exercised	Options lapsed	Balance 30/06/2012	Exercisable	Not exercisable
Directors							
P Ford	250,000	383,334	-	-	633,334	633,334	-
I Mutton	510,607	-	-	-	510,607	510,607	-
G Crisp	450,000	-	-	-	450,000	450,000	-
D Wilson	-	-	-	-	-	-	-
J Curnock Cook	-	-	-	-	-	-	-
W Harrison	-	-	-	-	-	-	-
Executives							
D Radford	-	6,337,817	-	-	6,337,817	-	6,337,817
Other key management personnel							
R Clancy	450,000	-	-	-	450,000	450,000	-
K Healey	450,000	-	-	-	450,000	450,000	-
A Jairath	100,000	-	-	-	100,000	100,000	-
L Raymer	-	-	-	-	-	-	-
Total	2,210,607	6,721,151	-	-	8,931,758	2,593,941	6,337,817

Table 2 - Shareholdings of key management personnel

Directors	Opening balance	Granted as compensation	Net other change	Balance 30/06/2012
P Ford	196,800	-	400,000	596,800
I Mutton	545,569	-	-	545,569
G Crisp	-	-	-	-
D Wilson	-	-	-	-
J Curnock Cook	-	-	-	-
W Harrison	-	-	-	-
Executives				
D Radford	-	-	-	-
Other key management personnel				
R Clancy	9,564,390	-	-	9,564,390
K Healey	-	-	-	-
A Jairath	-	-	-	-
L Raymer	-	-	-	-
Total	10,306,759	-	400,000	10,706,759

Table 3 – Directors and key management personnel remuneration for the year ended 30 June 2012

	Short term employee benefits					
	Cash salary and fees $	Non-monetary benefits $	Other fees paid $	Post-employment benefits $	Share based payments $	Total $
Directors						
I Mutton	40,000	-	40,000	-	-	80,000
G Crisp	60,000	-	140,952	-	-	200,952
J Curnock Cook	30,000	-	-	-	-	30,000
D Wilson	40,000	-	10,921	-	-	50,921
P Ford	6,000	-	36,025	540	-	42,565
S O'Loughlin	18,500	-	-	1,665	-	20,165
S Taylor	18,500	-	-	1,665	-	20,165
W Harrison	20,000	-	-	-	-	20,000
Executives						
D Radford	400,000	-	-	25,000	96,831	521,831
Other key management personnel						
R Clancy	42,000	-	-	-		42,000
K Healey	10,000	-	-	-	-	10,000
A Jairath	48,000	-	-	-	-	48,000
L Raymer	30,596	-	-	-	-	30,596
	130,596	-	-	-	-	130,596
Total	763,596	-	227,898	28,870	96,831	1,117,195

Directors' Report (Continued)

Registered Office

Bioxyne Limited
Suite 1A, Level 2
802 Pacific Highway
Gordon, NSW 2072
Australia

Signoff

This report is made in accordance with a resolution of directors.

David Radford
Managing Director and Chief Executive Officer

27 September 2012

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 9233 8933 **F** +61 2 9233 8521

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Bioxyne Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 27 September 2012

Bioxyne Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenue from continuing operations			
Sale of goods		123,275	-
Other income	3	1,553,976	1,238,301
Cost of goods sold		(60,659)	-
Expenses			
Research and development		(3,541,198)	(2,143,882)
Business development		(154,809)	(597,239)
Marketing		(150,703)	(58,277)
General and administration		(1,985,902)	(1,820,053)
Impairment expense	11	(1,511,132)	-
Finance costs		(552,430)	(653,354)
Loss before income tax		**(6,279,582)**	**(4,034,504)**
Income tax benefit	5	**4,495,451**	**104,848**
Other comprehensive income for the year		**-**	**-**
Total comprehensive loss for the year		**(1,784,131)**	**(3,929,656)**
Loss is attributable to:			
Members of Bioxyne Limited		**(1,784,131)**	**(3,929,656)**
Earnings per share			
From continuing operations			
- Basic/diluted (loss)/earnings per share	25	(0.04)	(0.25)
From discontinued operations			
- Basic/diluted (loss)/earnings per share	25	-	-

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Bioxyne Limited
Consolidated Statement of Financial Position
As at 30 June 2012

	Notes	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	779,624	705,692
Current tax receivables	7	1,529,528	909,534
Trade and other receivables	8	162,928	131,077
Total Current Assets		**2,472,080**	**1,746,303**
Non-Current Assets			
Deposit	9	200,000	200,000
Property plant and equipment	12	3,308	-
Deferred tax asset	15	4,234,701	-
Goodwill	11	-	-
Total Non-Current Assets		**4,438,009**	**200,000**
Total Assets		**6,910,089**	**1,946,303**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	1,022,206	796,357
Total Current Liabilities		**1,022,206**	**796,357**
Non-Current liabilities			
Borrowings	14	-	4,581,444
Deferred tax liability	15	-	260,751
Total Non-Current Liabilities		**-**	**4,842,195**
Total Liabilities		**1,022,206**	**5,638,552**
Net Assets / (Liabilities)		**5,887,883**	**(3,692,249)**
EQUITY / (DEFICIT)			
Contributed equity	16	28,034,432	16,767,000
Reserves	17	750,977	654,146
Accumulated losses	17	(22,897,526)	(21,113,395)
Total Equity / (Deficit)		**5,887,883**	**(3,692,249)**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Bioxyne Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

	Contributed equity $	Accumulated Losses $	Reserves $	Total $
2011				
At 30 June 2010	16,589,039	(17,270,639)	473,540	(208,060)
Total comprehensive income for the year	-	(3,929,656)	-	(3,929,656)
Contributions of equity, net of transaction costs	177,961	-	-	177,961
Options expired and vested during the period	-	86,900	180,606	267,506
At 30 June 2011	**16,767,000**	**(21,113,395)**	**654,146**	**(3,692,249)**
2012				
At 30 June 2011	16,767,000	(21,113,395)	654,146	(3,692,249)
Total comprehensive income for the year	-	(1,784,131)	-	(1,784,131)
Contributions of equity, net of transaction costs	11,267,432	-	-	11,267,432
Options vested during the period	-	-	96,831	96,831
At 30 June 2012	**28,034,432**	**(22,897,526)**	**750,977**	**5,887,883**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Bioxyne Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts of other income (inclusive of goods and services tax)		141,428	-
Payments to suppliers and employees (inclusive of goods and services tax)		(5,750,464)	(4,004,046)
		(5,609,036)	**(4,004,046)**
Research and development tax rebate		918,001	567,471
Finance charges		(20,320)	(3,658)
Interest received		15,981	111,296
Net cash outflow from operating activities	21	**(4,695,374)**	**(3,328,937)**
Cash flows from investing activities			
Office Bonds		-	(3,465)
Cash held by subsidiary on acquisition	10	1,854,070	-
Acquisition of property plant and equipment		(2,054)	-
Net cash inflow (outflow) from investing activities		**1,852,016**	**(3,465)**
Cash flows from financing activities			
Proceeds from issues of shares net of transaction costs	16(b)	767,053	177,961
Proceeds from convertible note		3,000,000	-
Costs of raising equity and acquisition of subsidiary	16(b)	(849,763)	-
Net cash inflow from financing activities		**2,917,290**	**177,961**
Net increase (decrease) in cash and cash equivalents		73,932	(3,154,441)
Cash and cash equivalents at the beginning of the financial year		705,692	3,860,133
Cash and cash equivalents at end of year	6	**779,624**	**705,692**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

These consolidated financial statements and notes represent those of Bioxyne Limited and its controlled entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Bioxyne Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001.*

The financial statements were authorised for issue on 27 September 2012 by the directors of the company.

(a) Basis of preparation

Reporting Entity

The financial report of Bioxyne Limited for the year ended 30 June 2012 covers Bioxyne Limited and Hunter Immunology Limited as a consolidated group. Bioxyne Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, except for selected financial assets for which the fair value basis of accounting has been applied.

Business Combination

On 4 April 2012, Bioxyne Limited wholly acquired Hunter Immunology Limited.

Under the accounting standard applicable to business acquisitions, AASB 3 Business Combinations, the acquisition of Hunter Immunology Limited ("HIL") by BXN is required to be accounted for as a reverse acquisition of BXN by HIL. Under this scenario, HIL is deemed to be the acquirer and BXN is deemed to be the subsidiary. Applying the reverse acquisition method of accounting, following the acquisition, the consolidated financial statements are required to represent the continuation of the financial statements of HIL and its controlled entities.

As a result of the reverse acquisition methodology outlined above, the consolidated financial statements presented represent HIL and its controlled entities from the date of acquisition.

1 Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

Critical estimates and judgements are evaluated by the Directors and incorporated into the financial report based on historical knowledge and best available current information. These estimates assume a reasonable expectation of future events and are based on trends and economic data obtained externally and within the Group.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Comparative information is reclassified where appropriate to enhance comparability.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Bioxyne Limited at the end of the reporting period. A controlled entity is any entity over which Bioxyne Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;

1 Summary of significant accounting policies (continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

1 Summary of significant accounting policies (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

While the Group has experienced recurring operating losses and negative cash flows from operations during the financial year of $1,784,131 and $4,695,374 respectively. This is typical of early stage drug development companies.

The Directors believe that it is reasonably foreseeable that the consolidated group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1 Summary of significant accounting policies (continued)

(i) The consolidated group has received a refund of the 2012 Research and Development Tax Incentive of $1,529,528 subsequent to year end;

(ii) The ability of the consolidated group to undertake further capital raisings to provide the required funding to meet the consolidated group's ongoing operating costs and / or

(iii) The ability to enter into negotiations with a potential partner to commercialise the consolidated group's core intellectual property which may provide the required funding to meet the consolidated group's ongoing operating costs.

(d) Foreign currency translation

(i) Functional and presentation currency

The functional and presentation currency of the Group's entities is Australian dollars (A$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Items included in the financial statements of each of the Groups's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

Interest income

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Sale of goods

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Research and Development Tax Incentive

Research and Development Tax Incentive claims are recognised as other income in the period to which the incentive claims relate.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss over the period necessary to match them with the costs that they are intended to compensate.

1 Summary of significant accounting policies (continued)

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associated and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1 Summary of significant accounting policies (continued)

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(j) Cash and cash equivalent

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within 'other expenses'. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

(l) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

1 Summary of significant accounting policies (continued)

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations

The Group does not maintain a company superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds and for US resident employees to complying pension funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share - based payments

Share-based compensation benefits are provided to employees via the Hunter Immunology Limited Employee Option Plan and an employee share scheme.

The fair value of options granted under the Hunter Immunology Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

1 Summary of significant accounting policies (continued)

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(o) Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net GST, except where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(q) Plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

1 Summary of significant accounting policies (continued)

Depreciation is calculated on a diminishing-value basis over the estimated useful life of the assets as follows:

Plant and equipment – ranging from 2 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(r) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Convertible notes and compound instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

1 Summary of significant accounting policies (continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share equity. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit and loss (“FVTPL”) or ‘other financial liabilities’.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 ‘Financial Instruments: Recognition and Measurement’ permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item in the statement of comprehensive income.

1 Summary of significant accounting policies (continued)

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(s) Trade and other receivables

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

(t) New accounting standards for application in future periods

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were on issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
AASB 2010-2 (domestic) 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-11 Amendments to AASB 119 (September 2011)	1 January 2013	30 June 2014

2 Critical accounting estimates and judgement

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Research and development expenditure
The Group has expensed all internal research and development expenditure incurred during the year as the costs relate to the initial expenditure for research and development of biopharmaceutical products and the generation of future economic benefits are not considered certain. It was considered appropriate to expense the research and development costs as they did not meet the criteria to be capitalised under AASB 138 Intangible assets.

(ii) Options
Fair values of options granted are independently determined using the Black-Scholes option pricing model at grant date. Refer to Note 26(b) for more information on the inputs used to determine the fair value of the options. The vesting of options is contingent upon the successful commercialisation of the consolidated group's intellectual property. The vesting period is therefore also contingent upon a future event. The directors consider it probable that such vesting conditions will be met, and consequently, the option expense has been accounted for as an expense of the option exercise period.

(iii) Deferred tax assets
The directors have exercised their judgement in respect of the probability that sufficient taxable profits will be generated in the future to utilise the historical tax losses of the Group's subsidiary Hunter Immunology Limited (HIL). The ability of the Group to realise these tax losses is dependent on the successful commercialisation of HIL's intellectual property Based on the results of the clinical trials completed on 28 June 2012, the Directors believe that this could lead to sufficient taxable income within the next 12 month period to utilise such losses and realise the value of the deferred tax assets.

(iv) Deposits
Included in non-current assets is $200,000 paid in respect of a security guarantee for a clinical trial. The guarantee had been paid over twelve months prior to the end of financial year and held by the clinical trial manager for the entire financial year. Although the trial was completed on 28 June 2012, there has been ongoing works with the trial manager, and the directors are considering further trials. The deposit has therefore been classified as non-current until there is a reason to reclassify the amount as current or convert the guarantee to cash.

(v) Reverse acquisition
On 4 April 2012, Bioxyne wholly acquired Hunter Immunology. The transaction is considered to be a reverse acquisition of Bioxyne by Hunter Immunology as contemplated in AASB 3 *Business Combinations*. The consideration in a reverse acquisition is deemed to have been incurred by Hunter Immunology Limited in the form of shares and options issues to shareholders of Bioxyne Limited. The acquisition date fair value of the consideration transferred has been determined by the fair value of the issued shares of Bioxyne immediately prior to the combination.

	2012 $	2011 $
3 Other income		
Research and development tax Incentive	1,529,528	935,668
Government grants	-	191,337
Interest received	15,981	111,296
Other income	8,467	-
	1,553,976	**1,238,301**

Government grants

The Group did not apply for an export marketing development grant in the 2012 year as it did not meet the performance measure conditions (2011: $191,337). As disclosed above, the Group benefited from the Australian Government's Research and Development Tax Incentive Scheme for the 2011 and 2012 financial years.

4 Expenses

	2012 $	2011 $
Profit before income tax includes the following specific expenses:		
Interest and finance charges paid/payable	552,430	653,485
Share option expense	96,831	267,506
Employee benefit expense	523,793	735,507
Impairment expense	1,511,131	-
Depreciation	882	-

5 Income tax benefit

	2012 $	2011 $
(a) Income tax benefit		
Current tax benefit	(811,322)	-
Deferred tax	(3,684,129)	(104,848)
	(4,495,451)	**(104,848)**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(6,279,582)	(4,034,504)
Tax at the Australian tax rate of 30% (2011 - 30%)	**(1,883,875)**	**(1,210,351)**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	652,283	553,661
Recognition of tax benefit on carried forward losses	(3,367,081)	-
Movements in other deferred tax assets/liabilities	(317,048)	-
Benefit of tax losses not recognised	420,270	551,842
Total income tax benefit	**(4,495,451)**	**(104,848)**
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	26,617,962	11,194,882
Potential tax benefit @ 30%	**7,985,389**	**3,358,465**

	2012 $	2011 $
6 Current assets - Cash and cash equivalents		
Cash at bank and in hand	779,624	608,641
Deposits at call	-	97,051
	779,624	**705,692**

Cash at bank and in hand is non-interest bearing. Deposits at call bore interest at 6% in 2011.

7 Current assets – Trade and other receivables

Current tax receivable - Research and development tax incentive	1,529,528	909,534

8 Current assets - Other current assets

Trade debtors	118,670	-
GST receivable	43,412	82,630
Prepayments	846	19,928
Other receivables	-	28,519
	162,928	**131,077**

9 Deposits

Security deposit	200,000	200,000
	200,000	**200,000**

Payment made as a security guarantee for a clinical trial, the trial has been completed and the results were published on 28 June 2012.

10 Business combinations

	Country of Incorporation	Percentage Owned %
Bioxyne Limited (Legal parent, accounting subsidiary)	Australia	100%

On 4 April 2012, Bioxyne Limited wholly acquired Hunter Immunology Limited. As noted in note 1(a), the acquisition was treated as a reverse acquisition as per AASB 3 Business Combinations.

10 Business combinations (continued)

Consideration transferred

	2012
	$
Share capital issued	3,236,586
	3,236,586

The consideration in a reverse acquisition is deemed to have been incurred by Hunter Immunology Limited in the form of shares and options issues to shareholders of Bioxyne Limited. The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of Bioxyne Limited immediately prior to the business combination.

Goodwill on acquisition

Purchase consideration (non-cash equity payment)	3,236,586
Net assets acquired in Bioxyne Limited at the date of acquisition	(1,725,454)
Goodwill	1,511,132

Assets and liabilities assumed at date of acquisition

Current assets	2,011,382
Non-current assets	2,136
Total assets	2,013,486
Current liabilities	288,032
Total liabilities	288,032
Net assets acquired	1,725,454

Net cash flow on acquisition of subsidiaries

Consideration paid in cash	-
Less: cash and cash equivalent balances acquired	(1,854,070)
	(1,854,070)

Included in the loss for the year is $195,728 attributable to the additional activities of Bioxyne Limited. Revenue for the year includes $143,014 in respect of Bioxyne Limited.

Had the business combination been effected at 1 July 2011, the revenue of the Group from continuing operations would have been $718,381 and the loss for the year from continuing operations would have been $1,972,277. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

11 Goodwill

	2012 $	2011 $
Cost	1,511,132	-
Accumulated impairment losses	(1,511,132)	-
	-	
Cost		
Balance at beginning of year	-	-
Amounts recognised from business combinations occurring during the year	1,511,132	-
Balance at end of year	1,511,132	**-**
Accumulated impairment losses		
Balance at beginning of year	-	-
Impairment losses recognised in the year	(1,511,132)	-
Balance at end of year	**-**	**-**

Impairment of goodwill

Throughout the year Hunter Immunology Limited acquired Bioxyne Limited for $3,236,586. At the time the transaction took place the net assets acquired totalled $1,725,454 meaning that the additional purchase price of $1,511,132 represented a goodwill component on purchase.

Since the date of acquisition the valuation of Bioxyne Limited has been reviewed in parallel with its listed market value and the Directors have deemed it prudent to recognise only the fair value of the identifiable net assets on acquisition as being relevant to the Company.

12 Property, plant and equipment

Office equipment at cost	28,032	-
Accumulated depreciation	(24,724)	-
	3,308	**-**
Balance at beginning of year	-	-
Acquisition during the year	2,054	-
Acquired in business combination	2,136	-
Depreciation	(882)	-
Balance at end of year	**3,308**	**-**

	2012 $	2011 $
13 Current liabilities - Trade and other payables		
Trade payables	638,403	566,653
Accrued expenses	338,916	205,941
Other payables - employee benefits	44,887	23,763
	1,022,206	**796,357**

	2012 $	2011 $
14 Non-current liabilities - interest bearing liabilities (unsecured)		
Convertible notes	-	4,131,033
Interest on convertible notes	-	450,411
	-	**4,581,444**

Convertible notes

An additional $3,000,000 in convertible note funds advanced throughout the financial year.

(i) On 11 October 2011 Cherryoak Investments Pty Ltd, a sophisticated investor, signed a memorandum of understanding to advance $1,000,000 in funds on the same basis as the convertible note terms as noted below (see 'Convertible Note Terms'). These funds were advanced and the notes converted at the conversion price in conjunction with the BXN transaction and terms of the note deed itself;

(ii) Further $250,000 in convertible note funds were advanced by Martin Place Securities Nominees Pty Ltd on behalf of several other underlying note holders. These funds were received in two tranches, on 1 November 2011 $200,000 was received, and on 3 November 2011 the remaining $50,000 in funds were received;

(iii) A further $1,750,000 in convertible note funds was agreed to be advanced by existing note holders, PT Soho Industri Pharmasi ($500,000), and Phillip Asset Management Limited <IB AUST BIOSCIENCE FUND> ($1,250,000). The notes were subject to the same Convertible Note Terms as outlined below.

Throughout the year all of the convertible notes on issue, including those issued in prior years and the current financial year, were converted due to the liquidity event being achieved by the Group.

This meant that the $3,000,000 in face value notes issued throughout the year, in addition to $74,105 interest, were converted into 61,482,103 Hunter Shares prior to acquisition and consolidation by BXN. Additionally the $4,000,000 in face value Tranche 1 Convertible Notes advanced in prior financial years were converted on the same terms, however at an agreed conversion price of $0.099, which in addition to interest of $449,014 were converted into 55,040,542 Hunter shares prior to acquisition and consolidation by BXN.

14 Non-current liabilities - interest bearing liabilities (unsecured) (continued)

Whilst there were other triggers for conversion, none of these are relevant to the presentation of the Group's financial position, as the relevant cause for conversion has been disclosed and the impact of that conversion presented.

15 Deferred tax assets and liabilities

	2012 $	2011 $
Deferred tax assets		
Deferred tax assets comprise temporary difference attributable to:		
Tax losses available	4,178,403	-
Accrued expenses	56,298	-
Total deferred tax assets	**4,234,701**	**-**
Movement in deferred tax assets		
Opening balance 1 July 2011/2010	-	-
Arising on recognition of carried forward tax losses	3,367,081	-
Arsing on recognition of current year tax loss	811,322	
Credited to profit and loss	56,298	-
Closing balance 30 June 2012/2011	**4,234,701**	**-**
Deferred tax liabilities		
Deferred tax liability comprise temporary difference attributable to:		
Finance cost payable - convertible note	-	260,751
Total deferred tax liability	**-**	**260,751**
Movement in deferred tax liabilities		
Opening balance 1 July 2011/2010	260,751	365,599
On conversion of convertible note	(260,751)	-
Credited to profit and loss	-	(104,848)
Closing balance 30 June 2012/2011	**-**	**260,751**

16 Contributed equity

	2012 Shares	2012 $	2011 Shares	2011 $
(a) Share capital				
Ordinary Shares Fully Paid	154,051,815	28,034,432	161,322,872	16,767,000

(b) Movements in ordinary share capital:		**Number of Shares**	**Issue price**	**$**
Opening balance	1-Jul-10	160,271,672		15,609,896
Issue of shares	6-Mar-11	1,051,200	0.20	210,240
Transaction costs				(32,279)
Equity component on convertible notes		-		1,398,777
Deferred tax component		-		(419,634)
Balance	**30-Jun-11**	**161,322,872**		**16,767,000**
Opening balance	1-Jul-11	161,322,872		16,767,000
Equity component on convertible notes				(409,563)
Issue of shares				
- Allotment of ordinary shares		3,835,262	0.20	767,053
- Conversion of T1 convertible notes		55,040,542	0.099	5,449,014
- Conversion of T2 convertible notes		61,482,103	0.05	3,074,105
Reversal of existing HIL shares		(281,680,779)		
Existing BXN shares on issue		25,628,141		
Issue of BXN shares on acquisition of HIL		128,423,674		3,236,586
Transaction costs		-		(849,763)
Balance	**30-Jun-12**	**154,051,815**		**28,034,432**

(c) Ordinary shares

Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Options

During the financial year, Hunter issued shares at $0.20 with a free attaching option on a 'one for two' basis, as part of a rights issue to existing shareholders. This resulted in 1,917,631 options exercisable at $0.35 being issued.

As part of David Radford's remuneration, he was issued 6,337,817 executive options in March 2012. These options will only vest and be exercisable upon the successful commercialisation of the HI-164OV product.

16 Contributed equity (continued)

(d) Options (continued)

As at the date of this report, the following options over unissued ordinary shares were on issue:

Details	No of options	Issue date	Date of expiry	Conversion price ($)
Free attaching options on public offer prior to completion of reverse takeover by Hunter Immunology Limited	3,638,837	29/3/2012	31/03/2013	0.33
Consideration for acquisition of interests in Hunter Immunology Limited	236,522	29/3/2012	30/09/2012	0.70
	405,000	29/3/2012	21/12/2012	0.78
	3,112,944	29/3/2012	31/03/2013	0.70
	1,062,000	29/3/2012	01/09/2013	0.24
	2,700,000	29/3/2012	14/05/2014	0.70
	1,000,000	29/3/2012	01/01/2015	0.40
Executive remuneration	6,337,817	29/3/2012	31/12/2015	0.00
Total	**18,493,120**			

	2012 No.	2011 No.
Options		
Balance at beginning of year	17,000,000	17,000,000
Granted during the year	20,993,120	-
Expired during the year	(19,500,000)	-
Balance at end of year	18,493,120	17,000,000

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that they can continue to meet target milestones and ultimately provide returns to shareholders.

17 Reserves and accumulated losses

	2012 $	2011 $
(a) Reserves		
Total reserves	**750,977**	**654,146**
Options reserve		
Movements in reserve were as follows:		
Balance 1 July 2011/2010	654,146	473,540
Option expense	96,831	267,506
Options cancelled	-	(86,900)
Balance 30 June 2012/2011	**750,977**	**654,146**

(b) Accumulated losses

Movements in accumulated losses were as follows:

Opening accumulated losses	(21,113,395)	(17,270,639)
Loss for the year	(1,784,131)	(3,929,656)
Options cancelled	-	86,900
Balance 30 June	**(22,897,526)**	**(21,113,395)**

(c) Nature and purpose of reserves

The share option reserve comprises the cumulative value of employee services received for the issue of shares options. When the option is exercised, the related balance previously recognised in the share option reserve is transferred to share capital. When the share options expire, the related balance previously recognised in the share option reserve is transferred to accumulated losses.

18 Remuneration of auditors

Audit services		
Audit of financial reports – RSM Bird Cameron Partners (2011: BDO Audit (NSW-VIC) Pty Ltd)	37,500	43,933
Total remuneration for audit services	**37,500**	**43,933**

19 Commitments

Capital commitments
As at 30 June 2012, the Group has completed the Phase 2B clinical trial for HI-164OV. Following this, the Group does not have any significant capital commitments at 30 June 2012 (2011: $982,461).

20 Events occurring after the balance sheet date

Receipt of Research and Development ("R&D") Tax Offset

On 30 August 2012, the Group received the refund of $1,529,528 from the lodgement of the 2012 company tax return which included a claim for the R&D tax concession as disclosed at Note 8.

HI-164 OV Path to Commercialisation and Continued Results Analysis

The Group has engaged Torreya Partners to help engage in the marketing and commercialisation of the statistically significant Phase 2b trial results.

As announced by BXN on 12 July 2012 to the ASX this includes:

1. A non-confidential information package and 'slide deck' regarding HI-164 OV being prepared;
2. This package to be carefully marketed to a select group of 50 companies that have been identified as having an interest in the respiratory technology or vaccine space;
3. It is expected that indications of interest will take up to 2 months from this date at which point the Group will better understand the commercialisation potential of HI-164 OV.

On 16 July the Group held an investor presentation which further updated the statistical interpretation of the Phase 2b trial results. The overall consensus was that the subset of the < 65 population was a statistically significant result that warranted further explanation and efforts to commercialise to obtain shareholder value.

The Group is continuing to review such potential opportunities with Torreya Partners whom it has appointed to advise and facilitate for Hunter and BXN on the most relevant commercialisation strategies.

Signing of Heads of Agreement with Vaxine Pty Ltd:

As per ASX announcement released to the market on 24 September 2012, on 21 September 2012, Bioxyne Limited signed a Heads of Agreement ("HoA") with Australian vaccine developer, Vaxine Pty Ltd ("Vaxine").

Under the terms, Bioxyne will raise ~$3.4m in capital through the sale of equity such that Vaxine will own 19.9% of the Company and the sale of its probiomic asset based on a proprietary Lactobacillus fermentum strain. BXN will then contract with Vaxine's Clinical research team based in Flinders Medical Centre to commence a study into the impact of HI 164OV in an enriched patient population of Chronic Obstructive Pulmonary Disease (COPD) suffering patients.

The Company will be seeking shareholder approval at its AGM for the issue of equity in excess of the 15% allowance.

20 Events occurring after the balance sheet date (continued)

Other Matters Subsequent to Balance Date:

This represents a total consideration (on a total agreement basis) of $3,380,269.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

a) The Group's operations in future financial years; or
b) The results of those operations in future financial years; or
c) The Group's state of affairs in future financial years.

21 Reconciliation of loss after income tax to net cash outflow from operating activities

	2012 $	2011 $
Loss for the year	(1,784,131)	(3,929,656)
Depreciation	882	-
Non-cash employee benefits expense - share based payments	96,831	267,506
Accrued employee benefits	19,234	3,543
Impairment expense	1,511,132	-
Change in operating assets and liabilities		
Increase in trade and other receivables	(601,842)	(656,783)
Decrease in prepayments	-	4,638
Increase in trade and other payables	25,861	632,120
Deferred tax asset/liability movements	(4,495,451)	-
Convertible note liability movement	532,110	349,695
Net cash outflow from operating activities	**(4,695,374)**	**(3,328,937)**

22 Segment information

Bioxyne operates in the bio-technology industry in Australia. The principal operations are to research, develop, market and distribute probiotic products. Sales are made both in Australia and internationally.

Hunter immunology also operates in the bio-technology industry in Australia. However, its current principal operations are to research and develop immunotherapeutics. Upon the successful development of such products, Hunter Immunology will begin the commercialisation process bring these products to market.

The following table presents revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2012 and 30 June 2011.

22 Segment Information (Continued)

Segment revenues and results

	Segment revenue		Segment profit	
	2012	2011	2012	2011
	$	$	$	$
Probiotics	123,275	-	47,696	-
Immunotherapeutics	1,529,528	1,127,005	(2,151,559)	(1,614,116)
Other	24,448	111,296	24,448	111,296
Total for continuing operations	1,677,251	1,238,301	(2,079,415)	(1,502,820)
Central administration costs and directors salaries			(2,136,605)	(1,878,330)
Finance costs			(552,430)	(653,354)
Impairment expense			(1,511,132)	-
Profit before tax (continuing operations)			**(6,279,582)**	**(4,034,504)**

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

22 Segment Information (Continued)

Segment assets

	2012 $	2011 $
Probiotics	624,121	-
Immunotherapeutics	2,051,267	1,946,303
Total segment assets	2,675,388	1,946,303
Unallocated	4,234,701	-
Consolidated total assets	6,910,089	1,946,303

Segment liabilities

	2012 $	2011 $
Probiotics	200,867	-
Immunotherapeutics	821,339	796,357
Total segment liabilities	1,022,206	796,357
Unallocated	-	4,842,195
Consolidated total liabilities	1,022,206	5,638,552

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than interests in associates, ‘other financial assets’ and current and deferred tax assets. Goodwill is allocated to reportable segments;
- Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than borrowings, ‘other financial, liabilities’, current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

22 Segment Information (Continued)

Other segment information

Impairment losses recognised for the year in respect of goodwill

	2012 $	2011 $
Immunotherapeutics	1,511,132	-

Geographical information

	Australia		USA		Europe		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue								
External sales	-	-	118,049	-	-	-	118,049	-
Other revenues from external customers	1,559,202	1,238,301	-	-	-	-	1,559,202	1,238,301
Segment revenue	1,559,202	1,238,301	118,049	-	-	-	1,677,251	1,238,301

Assets and liabilities

Segment assets	6,910,089	1,946,303	-	-	-	-	6,910,089	1,946,303
Segment liabilities	1,022,206	5,638,552	-	-	-	-	1,022,206	5,638,552
Segment depreciation	882	-	-	-	-	-	882	-

23 Key management personnel compensation

(a) Names and positions held of key management personnel in office at any time during the financial year are

Key Management Person	Position
P.D. Ford	Non-executive director and previous chairman of Bioxyne
S. O'Loughlin	Non-executive director (retired 4 April 2012)
S. Taylor	Non-executive director (resigned 4 April 2012)
A. K. Jairath	Chief financial officer and company secretary
D. J. Radford	Non-executive director (appointed 4 April 2012)
G. B. Crisp	Non-executive director (appointed 4 April 2012)
D. Wilson	Non-executive chairman (appointed 18 April 2012)
I. M. Mutton	Non-executive director (appointed 04 April 2012)
J. L. Curnock Cook	Non-executive director (appointed 07 May 2012)
W. B. Harrison	Non-executive director (appointed 04 April 2012)
K. Healey	Non-executive director (resigned 12 September 2011)
R. Clancy	Executive director and chief medical advisor (resigned 7 September 2011)
L. Raymer	Company secretary (appointed 24 April 2012)

23 Key management personnel compensation (continued)

(b) Option holdings of key management personnel

Directors	Opening balance	Net other change	Options exercised	Options lapsed	Balance 30/06/2012	Exercisable	Not exercisable
P Ford	250,000	383,334	-	-	633,334	633,334	-
I Mutton	510,607	-	-	-	510,607	510,607	-
G Crisp	450,000	-	-	-	450,000	450,000	-
D Wilson	-	-	-	-	-	-	-
J Curnock Cook	-	-	-	-	-	-	-
W Harrison	-	-	-	-	-	-	-
Executives							
D Radford	-	6,337,817	-	-	6,337,817	-	6,337,817
Other key management personnel							
R Clancy	450,000	-	-	-	450,000	450,000	-
K Healey	450,000	-	-	-	450,000	450,000	-
A Jairath	100,000	-	-	-	100,000	100,000	-
L Raymer	-	-	-	-	-	-	-
Total	2,210,607	6,721,151	-	-	8,931,758	2,593,941	6,337,817

(c) Shareholdings of key management personnel

Directors	Opening balance	Granted as compensation	Net other change	Balance 30/06/2012
P Ford	196,800	-	400,000	596,800
I Mutton	545,569	-	-	545,569
G Crisp	-	-	-	-
D Wilson	-	-	-	-
J Curnock Cook	-	-	-	-
W Harrison	-	-	-	-
Executives				
D Radford	-	-	-	-
Other key management personnel				
R Clancy	9,564,390	-	-	9,564,390
K Healey	-	-	-	-
A Jairath	-	-	-	-
L Raymer	-	-	-	-
Total	10,306,759	-	400,000	10,706,759

23 Key management personnel compensation (continued)

(d) Details of remuneration

	Short term employee benefits					
2012	**Cash salary and fees**	**Non-monetary benefits**	**Other fees paid**	**Post-employment benefits**	**Share based payments**	**Total**
Name	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
I Mutton	40,000	-	40,000	-	-	80,000
G Crisp	60,000	-	140,952	-	-	200,952
J Curnock Cook	30,000	-	-	-	-	30,000
D Wilson	40,000	-	10,921	-	-	50,921
P Ford	6,000	-	36,025	540	-	42,565
S O'Loughlin	18,500	-	-	1,665	-	20,165
S Taylor	18,500	-	-	1,665	-	20,165
W Harrison	20,000	-	-	-	-	20,000
Subtotal non-executive directors	233,000	-	227,898	3,870	-	464,768
Executives						
D Radford	400,000	-	-	25,000	96,831	521,831
Other key management personnel						
R Clancy	42,000	-	-	-		42,000
K Healey	10,000	-	-	-	-	10,000
A Jairath	48,000	-	-	-	-	48,000
L Raymer	30,596	-	-	-	-	30,596
	130,596	-	-	-	-	130,596
Total	763,596	-	227,898	28,870	96,831	1,117,195

24 Financial risk management

(a) Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and convertible notes.

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant.

There is considerable concentration of credit risk within the Group as it only has one major customer at this stage of its development.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises form default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral security.

The maximum exposure to credit risk at balance date is as follows:

	2012 $	2011 $
Trade debtors	118,670	-
Research and development tax incentive receivable	1,529,528	909,534
Other current assets	44,258	131,078
Deposits	200,000	200,000

Liquidity risk

The Group's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

(b) Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the consolidated statement of financial position.

24 Financial risk management (Continued)

	Weighted average interest rate 2012 %	Non-interest bearing 2012 $	Floating interest rate 2012 $	Fixed interest rate maturing within 1 year 2012 $	Total 2012 $
Financial Assets					
Cash and cash equivalents	4.5%	-	779,624	-	779,624
Receivables	-	162,928	-	-	162,928
Research and development tax incentive		1,592,528	-	-	1,592,528
Total financial assets		1,755,456	779,624	-	2,535,080
Financial Liabilities					
Trade and other payables	-	1,022,206	-	-	1,022,206
Total financial liabilities		1,022,206	-	-	1,022,206

	Carrying amount	Contractual cash flow due 1 to 3 months	Contractual cash flow due 3 months to 1 year	Contractual cash flow due 1 to 5 years
Financial Assets				
Receivables	162,928	162,928	-	-
Research and development tax incentive	1,592,528	1,592,528	-	-
Total	1,755,456	1,755,456	-	-
Current liabilities				
Accounts payable	636,717	636,717	-	-
Other payables	385,489	385,489	-	-
Total	1,022,206	1,022,206	-	-

24 Financial risk management (Continued)

(c) Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the consolidated statement of financial position and notes to the financial statements.

(d) Sensitivity Analysis

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at balance date. The effect on profit and equity as a result changes in the value of the Australian Dollar to the US Dollar and Euro with all other variables remaining constant, is not expected to be significant.

25 Earnings per share

	2012 $	2011 $
From continuing operations		
Basic earnings per share	(0.04)	(0.25)
Diluted earnings per share	(0.04)	(0.25)
Weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
- Basic earnings per share	49,669,644	294,235,077
- Employee share options	6,337,817	-
- Diluted earnings per share	56,007,461	294,235,077
Weighted average number of options outstanding not included in diluted EPS calculations as the options are anti-dilutive in nature	12,155,303	2,647,074

The loss used to calculate earnings per share was $1,784,131 (2011: $3,929,656).

26 Share based payments

(a) Acquisition of Hunter Immunology Limited

As detailed in the Director's Report, Bioxyne had successfully completed its acquisition of Hunter Immunology Limited on 4 April 2012. The consideration paid by Bioxyne Limited comprised of:

- nine (9) Bioxyne Shares for each one (1) Hunter Share;
- nine (9) Bioxyne Shares for each one (1) Tranche 1 Note Interest; and
- nine (9) replacement Bioxyne Options for each one (1) Hunter Option.

This acquisition results in the issue of 128,423,674 shares and 12,155,303 options in Bioxyne. For more details on the business combination, please refer to note 10.

(b) Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $1.16 (2011: $1.17). Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Expected volatility is based on the historical share price volatility.

Options issued during the period have been priced using the following inputs:

No. of Options	Expiry date	Exercise Price	Share Price	Interest Rate	Volatility	Value per Option
236,522	30/09/2012	$0.0350	$0.0110	3.25%	86.70%	$ 0.0001
405,000	21/12/2012	$0.0390	$0.0110	3.25%	86.70%	$ 0.0003
3,020,645	31/03/2013	$0.0350	$0.0110	3.25%	86.70%	$ 0.0007
1,062,000	31/03/2013	$0.0120	$0.0110	3.25%	86.70%	$ 0.0035
2,700,000	01/09/2013	$0.0350	$0.0110	3.25%	86.70%	$ 0.0013
6,326,020	31/12/2015	-	$0.0110	3.25%	86.70%	$ 0.1600

26 Share based payments (continued)

d) Options at year end

Details	No of options	Issue date	Date of expiry	Conversion price $
Free attaching options on public offer prior to completion of reverse takeover by Hunter Immunology Limited	3,638,837	29/3/2012	31/03/2013	0.33
Consideration for acquisition of interests in Hunter Immunology Limited	236,522	29/3/2012	30/09/2012	0.70
	405,000	29/3/2012	21/12/2012	0.78
	3,112,944	29/3/2012	31/03/2013	0.70
	1,062,000	29/3/2012	01/09/2013	0.24
	2,700,000	29/3/2012	14/05/2014	0.70
	1,000,000	29/3/2012	01/01/2015	0.40
Executive remuneration	6,337,817	29/3/2012	31/12/2015	0.00
Total	**18,493,120**			

(d) Movements in options during the year

	2012 No.	2011 No.
Options		
Balance at beginning of year	17,000,000	17,000,000
Granted during the year	20,993,120	-
Expired during the year	(19,500,000)	-
Balance at end of year	18,493,120	17,000,000

27 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

(b) Transactions with other related parties

During the period:

- $140,952 was paid to Crisp Legal a firm of which Glenn Crisp is a principal for legal services in the normal course of business at commercial rates;
- $40,000 was paid to Crafers Connect Pty Ltd a company in which Ian Mutton is a director and shareholder for services rendered in the normal course of business at normal commercial rates;
- $10,921 was paid to Mainz Consulting Limited, a company of which Doug Wilson is a director for consulting services in the normal course of business at commercial rates;
- $36,025 was paid to Diskdew Pty Ltd and Ford Securities Pty Ltd, of which Patrick Ford is a director for consulting services in the normal course of business at commercial rates.

28 Economic dependency

The Group has only one major customer in the US, which accounts for 98% of the revenues.

As is typical for a drug development company, the company has significant annual deficits in operating profit and cash flow and is dependent on ongoing financing cash inflows to continue as a going concern.

For further information, please refer to note 1(c) of the financial report.

29 Parent Entity – Bioxyne Limited

	2012 $	2011 $
Financial position		
Assets		
Total current assets	622,473	218,108
Total non-current assets	6,224,639	2,625
Total assets	6,847,112	220,733
Liabilities		
Total current liabilities	1,123,908	96,390
Total non-current liabilities	-	-
Total liabilities	1,123,908	96,390
Equity		
Contributed equity	56,085,400	27,761,399
Reserves	574,845	289,212
Accumulated losses	(50,937,041)	(27,926,268)
Total equity	**5,723,204**	**124,343**
Financial performance		
Profit (Loss) for the year	(23,010,773)	1,054
Other comprehensive income	-	-
Total comprehensive loss	**(23,010,773)**	**1,054**

30 Company details

Corporate Head Office and Principal Place of Business

Suite 1A, Level 2
802 Pacific Highway
GORDON NSW 2072
Telephone: (02) 9844 5422
Facsimile: (02) 9844 5445

Bioxyne Limited
Directors Declaration
For the year ended 30 June 2012

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date.

2. The company has included in note 1(a) to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

David Radford

Managing Director and Chief Executive Officer

27 September 2012

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

BIOXYNE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Bioxyne Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RSM Bird Cameron Partners

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bioxyne Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Bioxyne Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 23 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Bioxyne Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 27 September 2012

Bioxyne Limited
Shareholder information
For the year ended 30 June 2012

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 13 September 2012.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of security are:

	Ordinary shares		
	Number of holders	Number of shares	% of Issued Capital
1 - 1,000	878	230,120	0.15
1,001 - 5,000	301	808,860	0.53
5,001 - 10,000	103	796,186	0.52
10,001 - 100,000	378	14,560,548	9.45
100,001 and over	182	137,656,101	89.35
	1,842	154,051,815	100.00

Unmarketable parcels:

	Minimum Parcel Size	Holders	Units
Minimum$ 500.00 parcel at $ 0.02 per unit	25,000	1,427	4,243,628

(b) Twenty largest shareholders

The names of the twenty largest holders of ordinary shares are:

		Ordinary shares	% of shares
1	Phillip Asset Management Ltd	31,355,427	20.35
2	Wigram Trading Pty Ltd	13,585,626	8.82
3	Pt Soho Industrial Pharmasi	9,678,085	6.28
4	Prof Robert Llewllyn Clancy + Mrs Christine Mary Clancy	9,564,390	6.21
5	Cherryoak Investments Pty Ltd	5,441,822	3.53
6	Cherryoak Investments Pty Ltd	4,561,237	2.96
7	Newcastle Innovation Ltd	3,668,125	2.38
8	Mr Paul Boudewyn Edward Bolt	2,998,125	1.95
9	Immune Investments Pty Ltd	2,275,873	1.48
10	Alcardo Investments Ltd	2,256,203	1.46
11	Lyndcote Holdings Pty Ltd	1,490,949	0.97
12	Prof Alan Jonathan Berrick	1,395,000	0.91
13	Mr Kok Keen Chong+ Mrs Hue Nghi Chong	1,289,600	0.84

Bioxyne Limited
Shareholder information
For the year ended 30 June 2012

ASX additional information (continued)

14	Gerald Pang	1,255,000	0.81
15	Nutsville Pty Ltd 16	1,244,048	0.81
16	Frere & Associates Pty Ltd	1,236,625	0.80
17	HSBC Custody Nominees (Australia) Ltd	1,005,000	0.65
18	Mckell Place Nominees Pty Ltd	964,750	0.63
19	Hunter Immunology Ltd	917,683	0.60
20	Deep Investments Pty Ltd	846,000	0.55
		97,029,568	62.99

(c) Substantial shareholders

The company had 1 substantial shareholder, as defined by the Corporations Act 2001, as at the date of this report.

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.